

## Program B: Market Compliance

Program Authorization: Program Authorization: Louisiana Constitution of 1974, Article IV, Section 11; Title 36, Chapter 17 of the Louisiana Revised Statute; Title 22 of Louisiana Revised Statutes; Act 83 of 1977 (Reorganization Act); Act 477 of 1992 (Reorganization Act); Act 850 of 1984 (Equal Opportunity in Insurance); Act 517 of 1992 (Operations of Louisiana Insurance Guaranty Association with the Department of Insurance); Act 1312 of 1999 (Insurance Fraud Assessment) and Act 158 of 2000 (Producer Licensing).

### Program Description

The mission of the Market Compliance Program is to promote a financially sound, consumer-responsive insurance industry in the state through fair, consistent enforcement of the state's laws, rules and regulations related to the business of insurance, and to propose new laws as needed.

The goals of the Market Compliance Program are:

1. Protect the interests of consumers and the public in matters related to the business of insurance by enforcing existing laws fairly and consistently, and by proposing new laws as needed.
2. Enhance the efficiency and effectiveness of regulatory and consumer-services activities by providing and maintaining a viable department infrastructure (management oversight, revenue, fiscal and human resource management, information technology, supplies and equipment, physical plant, etc.)
3. Improve the effectiveness of our efforts on behalf of the insurance consumers whose interests, we protect, and improve services to the producers and insurers we regulate by assisting the National Association of Insurance Commissioners (NAIC) in developing national regulatory standards that improve the sharing of information about producers and insurers among the states, minimize or eliminate duplication of work, and allow the states to retain regulation of the insurance industry.

The Market Compliance Program is organizationally composed of the Office of Financial Solvency, the Office of Licensing and Compliance, the Office of Health Insurance, the Division of Legal Services, and the Office of Property and Casualty Insurance.

The Office of Financial Solvency to monitor the financial condition of insurers through mandated examinations and analyses; to assure that companies are dealing with policy holders, claimants and beneficiaries in compliance with state laws, rules and regulations through market conduct examinations; to collect insurance premium and surplus lines taxes due the state by performing desk audits of all insurer tax returns and selected field audits of surplus lines brokers.

The Office of Licensing and Compliance to oversee the licensing and license renewal process for producers, to review and approve or disapprove company licensing applications and filings; to investigate to conclusion Life and Annuity (L&A) consumer complaints; to review and approve/disapprove L&A contract/policy forms; to investigate reported incidences of insurance fraud and refer cases to law enforcement as appropriate.

The Office of Health Insurance to investigate to conclusion consumer healthcare coverage complaints; to review and approve or disapprove health coverage contract/policy forms, rates, and advertising; to review and approve or disapprove submissions for Medical Necessity Review Organization (MNRO) licensing and license renewals, and to perform examinations of MNRO's; provide health insurance information to senior citizens through the Senior Health Insurance Information Program (SHIIP).

The Division of Legal Services represents the department in hearings, promulgates rules and regulations, and issue internal policy and legal opinions.

The Office of Property and Casualty Insurance (OPAC) to investigate to conclusion Property & Casualty (P&C) consumer complaints; review and approve or disapprove contract/policy forms; perform preparatory and support work on rate and rule change submissions to the Louisiana Insurance Rating Commission.

## RESOURCE ALLOCATION FOR THE PROGRAM

	ACTUAL 2000-2001	ACT 12 2001-2002	EXISTING 2001-2002	CONTINUATION 2002-2003	RECOMMENDED 2002-2003	RECOMMENDED OVER/(UNDER) EXISTING
MEANS OF FINANCING:						
STATE GENERAL FUND (Direct)	\$0	\$0	\$0	\$0	\$0	\$0
STATE GENERAL FUND BY:						
Interagency Transfers	0	0	0	0	0	0
Fees & Self-gen. Revenues	13,041,774	16,044,117	16,139,684	16,227,742	15,373,543	(766,141)
Statutory Dedications	292,840	746,192	746,192	836,352	846,352	100,160
Interim Emergency Board	0	0	0	0	0	0
FEDERAL FUNDS	256,139	201,878	208,768	201,878	201,878	(6,890)
TOTAL MEANS OF FINANCING	<b>\$13,590,753</b>	<b>\$16,992,187</b>	<b>\$17,094,644</b>	<b>\$17,265,972</b>	<b>\$16,421,773</b>	<b>(\$672,871)</b>
EXPENDITURES & REQUEST:						
Salaries	\$6,982,161	\$8,770,004	\$8,664,827	\$8,911,060	\$8,638,730	(\$26,097)
Other Compensation	493,431	543,449	543,449	543,449	543,449	0
Related Benefits	1,553,867	1,929,972	2,035,149	2,070,730	2,021,982	(13,167)
Total Operating Expenses	2,179,817	2,228,798	2,285,618	2,285,618	1,381,182	(904,436)
Professional Services	1,388,037	2,567,254	2,669,711	2,567,254	2,607,254	(62,457)
Total Other Charges	547,370	735,181	678,361	678,361	1,177,826	499,465
Total Acq. & Major Repairs	446,070	217,529	217,529	209,500	51,350	(166,179)
TOTAL EXPENDITURES AND REQUEST	<b>\$13,590,753</b>	<b>\$16,992,187</b>	<b>\$17,094,644</b>	<b>\$17,265,972</b>	<b>\$16,421,773</b>	<b>(\$672,871)</b>
AUTHORIZED FULL-TIME EQUIVALENTS: Classified	146	185	185	185	176	(9)
Unclassified	19	21	21	21	21	0
<b>TOTAL</b>	<b>165</b>	<b>206</b>	<b>206</b>	<b>206</b>	<b>197</b>	<b>(9)</b>

## SOURCE OF FUNDING

This program is funded from Fees and Self-generated Revenues, Statutory Dedications and Federal Funds. The Fees and Self-generated Revenues are derived from various fees and licenses authorized by R.S. 22:1078 and the La. Insurance Rating Commission assessment authorized by R.S. 22:1419. The Statutory Dedications are from the Administration Fund (Health Insurance Portability Administrative Act) comprised of penalties and an assessment not to exceed .0002 of the amount of premiums received in this state by Health insurers during the preceding year ending December 31. Statutory Dedications are also from the Insurance Fraud Investigation fund from assessments on various policies written in Louisiana. (Per R.S. 39:36B(8), see table below for a listing of expenditures out of each Statutory Dedicated Fund.) The Federal Funds are provided under the Health Information, Counseling and Assistant Grant Award made under the authority of Section 4360 of the Omnibus Budget Reduction act of 1990 (Public Law 101-508).

	<b>ACTUAL</b>	<b>ACT 12</b>	<b>EXISTING</b>	<b>CONTINUATION</b>	<b>RECOMMENDED</b>	<b>OVER/(UNDER)</b>
	<b>2000-2001</b>	<b>2001-2002</b>	<b>2001-2002</b>	<b>2002-2003</b>	<b>2002-2003</b>	<b>EXISTING</b>
Administrative Fund	\$292,840	\$502,270	\$502,270	\$621,634	\$631,634	\$129,364
Insurance Fraud Investigation Fund	\$0	\$243,922	\$243,922	\$214,718	\$214,718	(\$29,204)

## MAJOR FINANCIAL CHANGES

GENERAL FUND	TOTAL	T.O.	DESCRIPTION
\$0	\$16,992,187	206	ACT 12 FISCAL YEAR 2001-2002
			<b>BA-7 TRANSACTIONS:</b>
\$0	\$95,567	0	Carry forward of \$95,567 in Fees and Self-generated Revenues for contracts that were not completed prior to July 1, 2001 to assist the Department of Insurance with actuarial phase of triennial examination of LA domestic insurance companies.
\$0	\$6,890	0	Carry forward of \$6,890 in Federal Funds for the Senior Health Insurance Information Program (SHIIP) for contracts that were not completed prior to July 1, 2001.
\$0	\$17,094,644	206	EXISTING OPERATING BUDGET - December 20, 2001
\$0	\$146,105	0	Annualization of FY 2001-2002 Classified State Employees Merit Increase
\$0	\$135,709	0	Classified State Employees Merit Increases for FY 2002-2003
\$0	\$10,000	0	Acquisitions & Major Repairs
\$0	(\$217,529)	0	Non-Recurring Acquisitions & Major Repairs
\$0	(\$102,457)	0	Non-Recurring Carry Forwards
\$0	\$288,525	0	Salary Base Adjustment
\$0	(\$210,768)	0	Attrition Adjustment
\$0	(\$314,172)	0	Salary Funding from Other Line Items
\$0	(\$450,033)	(9)	Gubernatorial Position Reduction
\$0	\$51,198	0	Funding provided for Civil Service Training Adjustment
\$0	\$10,365	0	Funding provided for legal services provided by Department of Justice
\$0	\$41,350	0	Funding provided for Information Technology equipment
\$0	(\$328,085)	0	Transferred \$328,085 in Fees and Self-generated Revenues from the Market Compliance Program to the Administration/Fiscal Program for the increased cost of maintenance services of the data processing software
\$0	\$0	0	Means Of Financing Substitutions - Replace \$29,204 in Statutory Dedications - Insurance Fraud Investigation Fund with Fees and Self-generated Revenues per Act 369 of the 2001 Regular Session that exempted crop and livestock insurance and federal flood insurance from the Insurance Fraud Assessment
\$0	\$0	0	Means Of Financing Substitutions - Replace \$119,364 in Fees and Self-generated Revenues with Statutory Dedications - Administrative Fund to fully fund the Health Insurance Portability and Accountability Act (HIPAA) per Act 63 of the 2001 Regular Session due to an increase in the assessment rate
\$0	\$30,000	0	New and Expanded for destruction of obsolete receivership estate records and files

## MAJOR FINANCIAL CHANGES

GENERAL FUND	TOTAL	T.O.	DESCRIPTION
\$0	(\$13,079)	0	Reduce Administrative Law fees
\$0	\$250,000	0	PB X Phone System
<b>\$0</b>	<b>\$16,421,773</b>	<b>197</b>	<b>TOTAL RECOMMENDED</b>
<b>\$0</b>	<b>\$0</b>	<b>0</b>	<b>LESS GOVERNOR'S SUPPLEMENTARY RECOMMENDATIONS</b>
<b>\$0</b>	<b>\$16,421,773</b>	<b>197</b>	<b>BASE EXECUTIVE BUDGET FISCAL YEAR 2002-2003</b>
			SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE:
\$0	\$0	0	None
<b>\$0</b>	<b>\$0</b>	<b>0</b>	<b>TOTAL SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE</b>
<b>\$0</b>	<b>\$16,421,773</b>	<b>197</b>	<b>GRAND TOTAL RECOMMENDED</b>

## **PROFESSIONAL SERVICES**

\$2,006,536 Accounting, auditing, and actuarial, etc.

\$600,718 To be determined - Accounting, legal and others contracts deemed required by the department to carry out the mission of the department

**\$2,607,254 TOTAL PROFESSIONAL SERVICES**

**OTHER CHARGES**

\$2,924 Transcribing services for hearings

**\$2,924 SUB-TOTAL OTHER CHARGES**

**Interagency Transfers:**

\$13,329 Civil Service fees

\$541 CPTP training

\$2,180 UPS fees

\$2,053 Treasury fees

\$20,598 Security fees - Department of Public Safety

\$476,821 Maintenance of Office Space - Building and Grounds

\$99,225 Administrative Law Judges

\$57,976 Legal services provided by the Department of Justice

\$252,179 OTM Fees

\$250,000 PBX Phone System

**\$1,174,902 SUB-TOTAL INTERAGENCY TRANSFERS**

**\$1,177,826 TOTAL OTHER CHARGES**

## **ACQUISITIONS AND MAJOR REPAIRS**

\$51,350 Replacement of personal computers, laptop, printers, serves, and power vault storage units

**\$51,350 TOTAL ACQUISITIONS AND MAJOR REPAIRS**